

Message Text

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ACTION EB-11

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E.O. 11652: N/A

TAGS: BEXP, TU

SUBJ: EXIM FINANCING FOR MENSA

REF: A. ISTANBUL 3141; B. STATE 195416; C. ISTANBUL 3318

SUMMARY: EXIM ACTION IN TELLING TURKISH PRIVATE FIRM THAT EXIM PREFERS PRIVATE TURKISH BANK TO GOT-OWNED ZIRAAT BANKASI (AGRICULTURAL BANK) AND THAT ZIRAAT BANKASI (WHICH 100 PERCENT OWNED BY GOT) CANNOT BE ACCEPTED WITHOUT EVIDENCE, INCLUDING LEGAL OPINION OF ATTORNEY GENERAL OR EQUIVALENT, THAT BANK CARRIES FULL FAITH AND CREDIT OF GOT, APPEARS TO HAVE AROUSED GOT SENSITIVITIES. DEPT REQUESTED DISCUSS WITH EXIM IN ATTEMPT AVOID OR MINIMIZE SUCH PROBLEMS IN FUTURE. END SUMMARY.

1. AS NOTED REF C, IT APPEARS GOT FEATHERS HAVE BEEN RUFFLED BY EXIM REACTION TO MENSA PROPOSAL TO USE ZIRAAT BANKASI AS GUARANTOR OF EXIM LOAN FOR TEXTILE MACHINERY. WE RECALL SIMILAR SITUATION IN 1970-71 WHEN EXIM IN AIRCRAFT SALE DECLINED ACCEPT SIGNATURE OF FINMIN SEC GEN (WHO WAS SIGNING USAID LOAN AGREEMENTS ON BEHALF GOT) WITHOUT DOCUMENTARY EVIDENCE STATUTORY AUTHORITY AND LEGAL OPINION ATTORNEY GENERAL OR EQUIVALENT. THAT INCIDENT LEFT CERTAIN RESIDUE ILL WILL BOTH IN MINFIN AND IN TURKISH AIRLINES WHICH STILL NOT ENTIRELY FORGOTTEN.

2. AS DEPT AWARE, TURKS ARE HIGHLY SENSITIVE TO ACTIONS WHICH, AL-

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THOUGH UNINTENDED, SEEM TO IMPUGN THEIR SOVEREIGNTY AND/OR NATIONAL

RESPONSIBILITY. TURKISH REACTION IS TO DIG IN HEELS. AROUSING GOT SENSITIVITIES IN THIS WAY IS PROBABLY NOT RPT NOT WISEST COURSE TO FOLLOW AT TIME WHEN GOT ACTION IS PENDING ON OPERATION OF EXIM CFF PROGRAM IN TURKEY. IT IS WORTH NOTING THAT GOT HAD EARLIER PROPOSED TURKIYE ZIRAAT BANKASI AS CANDIDATE FOR CFF PROGRAM AND EXIM OFFICIALS IN MAY 1973 MET WITH ZIRAAT BANKASI OFFICIALS TO DESCRIBE PROGRAM. THUS, EXIM SHOULD HAVE BEEN AWARE THAT AN EXAMINATION OF ZIRAAT'S BALANCE SHEET ALONE WOULD NOT ADEQUATELY INDICATE STRENGTH AND RELIABILITY OF BANK.

3. ADDITIONAL POINT THAT CONCERNS US IS MANNER IN WHICH TURKS WERE INFORMED OF EXIM'S EVALUATION OF TURKISH GOVT BANK (SEE REF B). WE DO NOT RPT NOT BELIEVE THAT EXIM SHOULD BE TELLING PRIVATE TURKISH BANK RATHER THAN GOT-OWNED BANK AND IN EVENT LATTER BANK USED THERE WOULD BE ADDITIONAL--AND TO TURKS INSULTING--REQUIREMENTS. IF IT IS ABSOLUTELY NECESSARY TO CONVEY SUCH INFORMATION TO GOT, WOULD IT NOT BE BETTER TO DO SO THROUGH EMBASSY RATHER THAN THROUGH PRIVATE TURKISH FIRM? WOULD APPRECIATE DEPT ATTEMPT TO RESOLVE WITH EXIM PROBLEM OF MENSA FINAL COMMITMENT AND DISCUSSION ABOVE ISSUES WITH EXIM TO TRY TO WORK OUT PROCEDURE FOR AVOIDING OR MINIMIZING SUCH PROBLEMS IN FUTURE.

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